

Message Text

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ORIGIN PM-03

INFO OCT-01 EA-06 ISO-00 CIAE-00 INR-07 NSAE-00 TRSE-00

AID-05 IGA-01 NSC-05 SP-02 SS-15 L-02 H-02 /049 R

DRAFTED BY PM/SAS: CMDR. R. MARRYOTT/LD

APPROVED BY PM/SAS: MR. S. WINSHIP

PM/SAS - MR. D. J. JAMES

EA/PHL - MS. A. SWIFT

DOD/DSAA - MR. JAMESON

TREASURY - MR. CROSSWHITE (INFO)

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R 222118Z MAY 75

FM SECSTATE WASHDC

TO AMEMBASSY MANILA

INFO SECDEF

CINCPAC HONOLULU HI

C O N F I D E N T I A L STATE 120168

E.O. 11652: GDS

TAGS: MASS, RP

SUBJECT: FMS CREDITS IN FY 75.

REFS: (A) STATE 110321 (B) MANILA 6521

1. THE FOLLOWING INFORMATION IS KEYED TO YOUR QUESTIONS
RAISED IN REFTEL B.

A. CURRENT INTEREST RATE ON DIRECT CREDIT LOANS IS
8.25 PERCENT FOR 7 1/2 YEAR PERIOD.

B. TIME PERIOD PARA 1A ABOVE IS APPLICABLE ONLY DURING
MAY. A NEW INTEREST RATE WILL BE CALCULATED FOR JUNE.

C. EXACT SPREAD BETWEEN DIRECT AND FFB RATE IN SAME
TIME PERIOD. INTEREST RATES PROVIDED FOR FFB LOANS AND
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DIRECT FMS CREDITS ARE NOT COMPARABLE SINCE THEY ARE COM-

PUTED AND APPLIED ON DIFFERING BASES; HOWEVER, BOTH RATES ARE ESSENTIALLY AT COST OF MONEY TO USG WITH FFB RATE A FRACTION OF A PERCENTAGE HIGHER THAN RATE ON DIRECT CREDITS.

D. ADDITIONAL CHARGES - ONLY CHARGE IN ADDITION TO THE INTEREST COST, IS THE ONE TIME GUARANTEE FEE EQUAL TO 0.0025 OF THE PRINCIPAL AMOUNT.

E. HOW LONG IS THE FFB OPTION OPEN - ULTIMATELY, THE FFB OPTION RUNS OUT ON JUNE 30; HOWEVER, FOR REASONS WHICH ARE EVIDENT WE NEED GOP ACCEPTANCE AS SOON AS POSSIBLE IN ORDER BEGIN INTER-AGENCY REVIEW OF CREDIT EXTENSION.

2. THE LARGE SCALE AGREEMENT REFERRED TO IN REFTEL A WAS MULTI-YEAR GOVERNMENT TO GOVERNMENT AGREEMENT STIPULATING A SPECIFIC CONCESSIONAL INTEREST RATE APPLICABLE DURING THE LENGTH OF THE AGREEMENT. THE USG-GOP M-16 AGREEMENT IS NOT COMPARABLE SINCE GOP ENTERED INTO AN AGREEMENT AUTHORIZING EXTENSION OF EITHER DIRECT OR USG GUARANTEED CREDIT WITH NO SPECIFIC REFERENCE TO INTEREST RATE.

3. THE EXTENSION OF 7 MILLION DOLS. USG GUARANTEED CREDIT THROUGH THE FFB PROVIDES THE BEST POSSIBLE USG SUPPORTED FINANCING AVAILABLE. WE BELIEVE YOU SHOULD NOW STRESS TO APPROPRIATE GOP OFFICIALS THE NECESSITY FOR ACCEPTANCE OF USG GUARANTEED CREDIT SO THAT FUNDS CAN BE PROVIDED IN A TIMELY MANNER. INGERSOLL

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